3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

656 433 times found a solution in forced sales to merchant firms which had command of capital. These firms again were able to assist in relieving the difficulties of publicly-owned concerns by taking over, at a sacrifice of price, stocks which had accumulated to excess in consequence of delay in adaptation to unexpected shifts in consumption.

[442] This safety valve for the planned sector disappeared in the second phase of the Three-year Plan as soon as wholesale trade was transferred to public ownership. The methods of operating the Plan and the entire economy became more rigid than before. The activities of wholesale trade were assigned to a limited number of monopolistic trading companies, each of them concerned with the products of a branch of industry, or a complex group of agricultural produce. The sales departments of the manufacturing concerns were merged with their respective trading companies, following the principle (almost made into a dogma) that manufacturing and trading activities should be separated. All these changes involved a bureaucratic spirit in trading.

461 433 The rigidity of the system was aggravated by a personal factor, which is inherent in an order of strict centralization, the shirking of responsibility on the part of executives. Another unceasing difficulty in the way of prompt adjustments of production was the scantiness of reserves of raw materials, semi-finished products, and spare parts. All these reserves were extremely low when the Plan was started, and though the worst gaps were soon filled up, it was hard to keep pace, all along the line, with the requirements of a rapidly-expanding production.

In spite of all these frictions and obstacles production was forced up. It was a grim determination which helped the planners to overcome difficulties. But their production drive owed its success to a considerable extent to the fact that shortcomings due to misconceptions or failures in calculation could be counterbalanced by drawing on unutilized reserves of manpower.